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HONORABLE WHITMAN L. HOLT

UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF WASHINGTON

In re

EASTERDAY RANCHES, INC., *et al.*

Debtors.¹

EASTERDAY RANCHES, INC. and
EASTERDAY FARMS,

Plaintiffs,

v.

ESTATE OF GALE A. EASTERDAY
(DECEASED), KAREN L. EASTERDAY,
CODY A. EASTERDAY, AND DEBBY
EASTERDAY

Defendants.

Chapter 11

Lead Case No. 21-00141-WLH11
Jointly Administered

Adv. Pro. No. 21-80050 (WLH)

**DEBTORS' ANSWER AND
AFFIRMATIVE DEFENSES TO
COUNTERCLAIMS OF CODY
AND DEBBY EASTERDAY**

¹ The Debtors along with their case numbers are as follows: Easterday Ranches, Inc. (21-00141) and Easterday Farms, a Washington general partnership (21-00176).

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DEFENSES TO COUNTERCLAIMS OF CODY
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1 Easterday Ranches, Inc. (“Ranches”) and Easterday Farms (“Farms”), the above-
2 captioned debtors and debtors in possession (collectively, the “Debtors” or “Plaintiffs”),
3 hereby submit this reply (the “Reply”) to the counterclaims (the “Counterclaims”) set
4 forth in *Cody and Debby Easterday’s Answer, Affirmative Defenses, and Counterclaims*
5 *to Complaint to Determine Validity, Priority, or Extent of Interests in Property; and for*
6 *Declaratory Judgment* [Adv. Docket No. 15] (the “Answer”) filed jointly by
7 Defendants Cody and Debby Easterday (together, the “Defendants”) to the *Complaint*
8 *(I) To Determine Validity, Priority, or Extent of Interests in Property and (II) For*
9 *Declaratory Judgment* [Adv. Docket No. 1] (the “Complaint”).² In support hereof, the
10 Debtors respectfully state as follows:

11 REPLY TO COUNTERCLAIMS

12 1. No response to paragraph 1 of the Counterclaims is required because the
13 Counterclaims speak for themselves.

14 2. Paragraph 2 of the Counterclaims is admitted.

15 3. Paragraph 3 of the Counterclaims is admitted.

16 4. Paragraph 4 of the Counterclaims is admitted.

17 5. No response to paragraph 5 of the Counterclaims is required because the
18 transactional documents related to the Sale speak for themselves.

19 6. Paragraph 6 of the Counterclaims is denied to the extent that it avers that
20 the Sale Properties³ were owned by any party other than the Debtors.

21 7. Paragraph 7 of the Counterclaims is denied to the extent that it avers that
22 the water rights with respect to the Sale Properties were owned by any party other than
23 the Debtors.

24 ² Unless otherwise indicated, a capitalized term used but not defined herein shall have
25 the meaning ascribed to it in the Complaint.

26 ³ The defined term “Sale Properties” shall have the meaning ascribed to it in paragraph
27 1 of the Answer.

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1 8. Paragraph 8 of the Counterclaims is denied to the extent that it avers that
2 any of the irrigation improvements sold as part of the Sale were owned by any party
3 other than the Debtors.

4 9. Paragraph 9 of the Counterclaims does not call for a response.

5 10. Paragraph 10 of the Counterclaims is admitted.

6 11. No response to paragraph 11 of the Counterclaims is required because the
7 *Stipulation By and Between Debtors and Non-Debtor Sellers Regarding Cooperation*
8 *with Respect to the Sale of Debtor and Non-Debtor Assets* [Bankr. Docket No. 640] (the
9 “Cooperation Agreement”), as approved at Bankr. Docket No. 655, speaks for itself.

10 12. Paragraph 12 of the Counterclaims is denied.

11 13. Paragraph 13 of the Counterclaims does not call for a response, but to the
12 extent a response is required, it is denied.

13 14. Paragraph 14 of the Counterclaims is denied.

14 15. Paragraph 15 of the Counterclaims calls for a legal conclusion for which
15 no response is required, but to the extent a response is required, the paragraph is denied.

16 16. Paragraph 16 of the Counterclaims calls for a legal conclusion for which
17 no response is required, but to the extent a response is required, the paragraph is denied.

18 17. Paragraph 17 of the Counterclaims does not call for a response.

19 18. Paragraph 18 of the Counterclaims does not call for a response.

20 19. No response to paragraph 19 of the Counterclaims is required because the
21 Complaint and Counterclaims speak for themselves, but to the extent that a response is
22 required the Debtors admit they asserted an interest in the Sale Properties and the
23 proceeds therefrom following the Sale.

24 20. Paragraph 20 of the Counterclaims calls for a legal conclusion for which
25 no response is required.

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1 21. Paragraph 21 of the Counterclaims calls for a legal conclusion, and no
2 further response is required because the Counterclaims speak for themselves.

3 22. Paragraph 22 of the Counterclaims calls for a legal conclusion for which
4 no response is required.

5 23. Paragraph 23 of the Counterclaims calls for a legal conclusion for which
6 no response is required, but to the extent a response is required, the paragraph is denied.

7 24. Paragraph 24 of the Counterclaims calls for a legal conclusion for which
8 no response is required, but to the extent a response is required, the paragraph is denied.

9 25. Paragraph 25 of the Counterclaims does not call for a response.

10 26. No response to paragraph 26 of the Counterclaims is required because the
11 Complaint and Counterclaims speak for themselves, but to the extent that a response is
12 required the Debtors admit they asserted an interest in the water rights with respect to
13 Sale Properties and the proceeds therefrom following the Sale.

14 27. Paragraph 27 of the Counterclaims calls for a legal conclusion for which
15 no response is required.

16 28. Paragraph 28 of the Counterclaims calls for a legal conclusion, and no
17 further response is required because the Counterclaims speak for themselves.

18 29. Paragraph 29 of the Counterclaims calls for a legal conclusion for which
19 no response is required.

20 30. Paragraph 30 of the Counterclaims calls for a legal conclusion, and no
21 further response is required because the Counterclaims speak for themselves.

22 31. Paragraph 31 of the Counterclaims calls for a legal conclusion for which
23 no response is required, but to the extent a response is required, the paragraph is denied.

24 32. Paragraph 32 of the Counterclaims calls for a legal conclusion for which
25 no response is required, but to the extent a response is required, the paragraph is denied.

26 33. Paragraph 33 of the Counterclaims does not call for a response.

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1 34. No response to paragraph 34 of the Counterclaims is required because the
2 Complaint and Counterclaims speak for themselves, but to the extent that a response is
3 required the Debtors admit they asserted an interest in the irrigation improvements that
4 were sold as part of the Sale and the proceeds therefrom following the Sale.

5 35. Paragraph 35 of the Counterclaims calls for a legal conclusion for which
6 no response is required.

7 36. Paragraph 36 of the Counterclaims calls for a legal conclusion, and no
8 further response is required because the Counterclaims speak for themselves.

9 37. Paragraph 37 of the Counterclaims calls for a legal conclusion for which
10 no response is required.

11 38. Paragraph 38 of the Counterclaims calls for a legal conclusion for which
12 no response is required, but to the extent a response is required, the paragraph is denied.

13 39. Paragraph 39 of the Counterclaims calls for a legal conclusion for which
14 no response is required, but to the extent a response is required, the paragraph is denied.

15 **FIRST AFFIRMATIVE DEFENSE**

16 40. The Counterclaims fail to state a claim upon which relief can be granted.

17 **SECOND AFFIRMATIVE DEFENSE**

18 41. The Second, Third, and Fourth Counterclaims are barred, in whole or in
19 part, by the statute of frauds.

20 **THIRD AFFIRMATIVE DEFENSE**

21 42. Each Counterclaim is barred, in whole or in part, by the doctrines of
22 unclean hands and/or *in pari delicto*.

23 **FOURTH AFFIRMATIVE DEFENSE**

24 43. Each Counterclaim is barred, in whole or in part, by the doctrine of waiver.

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1 **FIFTH AFFIRMATIVE DEFENSE**

2 44. Each Counterclaim is barred, in whole or in part, by the doctrine of
3 estoppel.

4 **SIXTH AFFIRMATIVE DEFENSE**

5 45. The Second, Third, and Fourth Counterclaims are barred, in whole or in
6 part, by the doctrine of failure of consideration.

7
8 **PRAYER FOR RELIEF**

9 WHEREFORE, by reason of the foregoing, the Debtors request that the court
10 enter judgment:

- 11 (1) determining that the proceeds of the Disputed Property (as defined
12 in the Complaint) belong to the Debtors' estates and not to
13 individual members of the Easterday family, including Defendants;
- 14 (2) declaring that the proceeds of the Disputed Property (as defined in
15 the Complaint) constitute estate property in their entirety;
- 16 (3) denying Defendants' request for judgment directing any specific
17 performance by Plaintiffs with respect to the Cooperation
18 Agreement because of Plaintiffs' good faith compliance with the
19 Cooperation Agreement;
- 20 (4) declaring that the Sale Properties belonged to the Debtors' estates
21 prior to the Sale and not to individual members of the Easterday
22 family, including Defendants;
- 23 (5) determining that the proceeds of the Sale Properties belong to the
24 Debtors' estates in their entirety and not to individual members of
25 the Easterday family, including Defendants;
- 26 (6) declaring that the water rights with respect to the Sale Properties
27 belonged to the Debtors' estates prior to the Sale and not to
28 individual members of the Easterday family, including Defendants;

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- 1 (7) determining that the proceeds of the water rights with respect to the
2 Sale Properties belong to the Debtors' estates in their entirety and
3 not to individual members of the Easterday family, including
4 Defendants;
- 5 (8) declaring that the irrigation improvements with respect to the Sale
6 Properties belonged to the Debtors' estates prior to the Sale and not
7 to individual members of the Easterday family, including
8 Defendants;
- 9 (9) determining that the proceeds of the irrigation improvements with
10 respect to the Sale Properties belong to the Debtors' estates in their
11 entirety and not to individual members of the Easterday family,
12 including Defendants; and
- 13 (10) granting the Debtors such other and further relief as the court deems
14 just, proper, and equitable, including the costs and expenses of this
15 action.

16 Dated: December 8, 2021

BUSH KORNFELD LLP

/s/ Thomas A. Buford, III

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